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SUBJECT: AMBASSADOR'S COURTESY CALL ON LOGISTICS GIANT  
"AGILITY"

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

¶1. (C) On December 10, Ambassador made a long-planned courtesy call, postponed several times previously due to scheduling conflicts, on Tarek Sultan, Chairman and Managing Director of Kuwait's global logistics company Agility for a discussion of the logistics industry. (Agility, known until recently as The Public Warehousing Company, or PWC, is among the fifteen largest global third-party logistics providers with revenue in 2005 of USD 4.5 billion. Agility employs 20,000 people worldwide in over 450 offices. The company has been embroiled in a public dispute with the GOK after the Audit Bureau, an independent entity whose chairman is nominated and approved by parliament, terminated three Agility contracts dating back to 1999 due to alleged contractual violations. Agility stock plummeted in late November, triggering a sell-off that contributed to the Kuwait stock market's plunge to a four-month low. Agility stock and the Kuwait Stock Exchange have since rebounded somewhat.)

¶2. (C) Sultan said Agility was well-positioned to compete and grow successfully in the long-term, particularly in emerging markets such as India, China, and Southeast Asia. Sultan described Agility as more "entrepreneurial" than most logistics companies, with a "build-it-yourself" approach to the industry. He particularly liked Agility's prospects in India, where it is already among the leading logistics companies, with a base in Mumbai and representation in more than 30 cities. He said he enjoys working in India, where the work ethic and commitment to education are strong. Sultan said he plans to use India increasingly as a base for outsourcing business. He commented that China, where Agility has worked for 20 years, is an attractive but more complex market than India, and perhaps more geared toward a model of multiple general managers rather than a single CEO.

¶3. (C) Turning to Agility's confrontation with the government over terminated contracts, Sultan said his company was being singled out by certain members of parliament, including the Islamist bloc, who perhaps resented Agility's success as well as its extensive business dealings with the USG. He admitted that Agility had not cultivated a support base in the National Assembly. He described the Audit Bureau's tactics as a "witch hunt without rules," as the Audit Bureau never filed charges with the appropriate courts before moving against Agility. There was no rhyme nor reason to the particular contracts the Audit Bureau canceled, he said; rather, the move was "symbolic." Sultan suggested such actions call into question Kuwait's commitment to reform. "The government says one thing and does something else," he

said. "We are moving backwards." Agility has appealed the action and has been given a court date two days hence (Comment: Unusually fast for the Kuwait legal system). Sultan argued that there should be a standard for reviewing contracts to minimize vendettas and government capriciousness. He charged that the moves send a negative signal to investors and will make banks wary of supporting large-scale Kuwaiti infrastructure and development projects in the future.

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LEBARON